



**TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION**

**DEPARTMENT OF THE TREASURY**

**INTERNAL REVENUE SERVICE**

**TE/GE: EO Examination**

**1100 Commerce Street**

**Dallas, Texas 75242**

501.03-00

Date: March 3, 2011

Release Number: **201121024**

Release Date: 5/27/2011

**LEGEND**

ORG - Organization name

XX - Date Address - address

ORG

ADDRESS

**Employer Identification Number:**

**Person to Contact/ID Number:**

**Contact Numbers:**

Voice:

Fax:

**CERTIFIED MAIL – RETURN RECEIPT REQUESTED**

Dear

This is a Final Adverse Determination Letter as to your exempt status under section 501(c)(3) of the Internal Revenue Code. Your exemption from Federal income tax under section 501(c)(3) of the Code is hereby revoked effective January 1, 20XX. You have agreed to this adverse determination by signing Form 6018.

Our adverse determination was made for the following reasons:

You have not conducted any exempt purpose activities for several years. There are no plans to conduct activities in the foreseeable future. Thus, you have no activities that serve charitable, educational or other exempt purposes under section 501(c)(3) of the Code.

Therefore, you no longer meet the requirements of IRC section 501(c)(3) and Treas. Reg. section 1.501 (c)(3) -1(d) in that you failed to establish that you are operated exclusively for an exempt purpose.

Contributions to your organization are no longer deductible under section 170 of the Internal Revenue Code.

You are required to file Federal income tax returns on Form 1120. Those returns should be filed with the appropriate Service Center.

Processing of income tax returns and assessment of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination in court, you must initiate a suit of declaratory judgment in the United States Tax Court, the United States Claims Court or the District Court of the United States for the District of Columbia before the 91<sup>st</sup> day after the date this determination was mailed to you. Contact the clerk of the appropriate court for rules for initiating suits for declaratory judgment. You may write to the Tax Court at the following address:

You also have the right to contact the office of the Taxpayer Advocate. You can call 1-877-777-4778 and ask for Taxpayer Advocate assistance. Or you can contact the Taxpayer Advocate office located nearest you by calling (216) 522-7134 or by writing to:

Taxpayer Advocate assistance cannot be used as a substitute for established IRS procedures, formal appeals processes, etc. The Taxpayer Advocate is not able to reverse legal or technically correct tax determinations or extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate, can, however, see that a tax matter, that may not have been resolved through normal channels, gets prompt and proper handling.

If you have any questions in regards to this matter please contact the person whose name and telephone number are shown in the heading of this letter.

Thank you for your cooperation.

Sincerely,

Nanette M. Downing  
Director, EO Examinations



DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

5990 West Creek Road, Stop 405

Independence, Ohio 44131

TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

LEGEND

ORG - Organization name      XX - Date      Address - address

December 3, 2010

TIN:

Form

Tax Years Ended

Person to Contact

ORG  
ADDRESS

Dear

After examining all available information, we believe an adjustment of your organization's exempt status may be necessary. Our proposed adjustment is found in the enclosed Form 4621-A, and a detailed explanation is found in the enclosed Form 886-A.

If you accept our findings, please sign the enclosed Form 6018 consent form and mail it to our office within 10 days from the date of this letter. See enclosed Publication 3498 for details on the examination process and Publications 5 and 892 for details on appeal rights.

If you do not accept our findings, you have 10 days from the date of this letter to mail us any additional evidence or information you would like us to consider. Or you may request a discussion of our findings with an examiner who is familiar with your return, and submit any additional evidence or information you would like the examiner to consider. You may also request a conference to discuss the proposal with the examiner's group manager. If you plan to come in for a discussion, please phone or write us in advance so that we can arrange a convenient time and place.

If we do not hear from you within 10 days, we will have to process your case on the basis of the adjustment shown in the examination report. The person whose name and telephone number appear above will be glad to answer any questions you may have. An addressed envelope is enclosed for your convenience. Thank you for your cooperation.

Sincerely,

Cheryl A. Johnson  
Internal Revenue Agent

Enclosures:  
Form 4621-A  
Form 886-A  
Agreement Form 6018  
Publications 3498, 5, and 892  
Envelope

Form <b>886-A</b> (Rev. January 1994)	<b>EXPLANATIONS OF ITEMS</b>	Schedule number or exhibit
Name of taxpayer <b>ORG</b>	Tax Identification Number EIN	Year/Period ended 20XX12

**LEGEND**

ORG = Organization name      XX - Date      State - state      Founder - founder      CO-1, CO-2, CO-3 & CO-4 = 1<sup>ST</sup>, 2<sup>ND</sup>, 3<sup>RD</sup> & 4<sup>TH</sup> COMPANIES

**Issue:**

Whether ORG (the Exempt Organization, hereinafter referred to as the "EO") continues to qualify for exemption as an organization described in section 501(c)(3) of the Internal Revenue Code (hereinafter referred to as the "IRC") due to inactivity.

**Facts:**

The EO was incorporated in the State of State on January 12, 19XX. Per the Articles of Incorporation obtained from the State's website, the corporation was primarily organized to assist young people, especially minorities, with professional development in the fields of entertainment, nursing, and business. The Articles were amended April 11, 19XX to change the purpose to providing education and awareness regarding missing children under the name of "CO-1."

The Internal Revenue Service (hereinafter referred to as the "IRS") issued a determination letter dated July 19, 19XX conferring tax exempt status to the EO under IRC 501(c)(3) effective May 27, 19XX. The advance ruling period for being considered exempt under 509(a)(1) 170(b)(1)(a)(vi) as an organization which could reasonably expected to be publicly supported ended December 31, 19XX. A letter requesting documentation of public support was issued by the IRS November 15, 19XX. Because a response was not received, the IRS letter of April 10, 19XX changed the organization's foundation status to private foundation.

A memo issued to missing children agencies by FOUNDER, the EO's founder, states that CO-1 went defunct in 19XX. He states it was absorbed into CO-1, a division of ORG. An organizational chart describes CO-1 as a worldwide trade association of the entertainment industry. Under CO-1 are listed CO-1 ('defunct'), CO-2, CO-3, and the CO-4.

An examination conducted in September 19XX found no evidence of exempt purpose activities. Although FOUNDER initially agreed and in November 19XX signed Form 6018, Consent to Proposed Adverse Action, he later appealed the decision. The examination was closed in February 19XX as a no-change with an advisory to report all gross receipts and disbursements.

The EO filed a Form 990 for Tax Year 20XX showing zero dollars in all revenue, expense, asset and liability fields. The EO did not file a Form 990 for Tax Year 20XX. The EO filed a Form 990-EZ for Tax Year 20XX showing zero dollars in all revenue, expense, asset and liability fields.

FOUNDER stated in a telephone conversation with the Revenue Agent on October 25, 20XX that the EO has conducted no exempt purpose activities for several years due to his poor health. There are no plans to conduct activities in the foreseeable future. FOUNDER stated that

Form <b>886-A</b> (Rev. January 1994)	<b>EXPLANATIONS OF ITEMS</b>	Schedule number or exhibit
Name of taxpayer <b>ORG</b>	Tax Identification Number EIN	Year/Period ended 20XX12

he believed he had "closed everything" down when he was contacted by the State Attorney General's office in 20XX with a request for financials statements. FOUNDER states that no money is being received through the web sites that are soliciting donations for ORG.

The EO does not currently have a board of directors. The 20XX returns states that because of FOUNDER's illness, everyone resigned.

Taxpayer's Position:

FOUNDER was under the impression that he no longer had tax exempt status, and he currently agrees with the proposal to revoke the EO's exemption due to inactivity.

Government's Position:

The EO has not conducted any exempt purpose activities in at least three years, according to its Forms 990 and oral testimony. The EO is not operating exclusively for one or more purposes under which the organization was granted tax-exempt status and therefore its tax exempt status should be revoked

Law:

Section 501(c)(3) of the Code exempts from federal income tax organizations organized and operated exclusively for charitable, educational, and other exempt purposes, provided that no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the regulations provides that in order to be exempt as an organization described in IRC Section 501(c)(3) of the Code, the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section. If an organization fails to meet either the organizational or the operational test, it is not exempt. Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in IRC Section 501(c)(3) of the Code.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization is not organized or operated exclusively for one of more exempt purposes unless it serves a public rather than a private interest. Thus, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interest such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Form <b>886-A</b> (Rev. January 1994)	<b>EXPLANATIONS OF ITEMS</b>	Schedule number or exhibit
Name of taxpayer ORG	Tax Identification Number EIN	Year/Period ended 20XX12

Revenue Ruling 72-369 states, in part, that in order for an organization to pass the operational test, the organization's resources must be devoted to purposes that qualify as exclusively charitable.

Conclusion:

Because the EO failed to meet the reporting requirements under IRC Sections 6001 and 6033 to be recognized as an organization exempt from Federal income tax under IRC Section 501(a) described in section 501(c)(3), the EO's exempt status is revoked effective January 1, 20XX.

The organization is not required to file Form 1120, U.S. Corporation Income Tax Return, because there are no revenue and no expenses to report.